

Senate File 124 - Introduced

SENATE FILE 124

BY CHELGREN

A BILL FOR

1 An Act exempting military disability benefits and certain
2 military pay from the computation of the individual income
3 tax and including retroactive applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.7, subsection 42A, Code 2017, is
2 amended to read as follows:

3 42A. Subtract, to the extent included, all pay of the
4 following:

5 a. Pay received by the taxpayer from the federal government
6 for military service performed ~~while on active duty status~~ in
7 the armed forces, the armed forces military reserve, or the
8 national guard.

9 b. Disability compensation and benefits received by the
10 taxpayer from the federal government for a service-connected
11 disability certified by the United States department of
12 veterans affairs.

13 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
14 retroactively to January 1, 2017, for tax years beginning on
15 or after that date.

16 EXPLANATION

17 The inclusion of this explanation does not constitute agreement with
18 the explanation's substance by the members of the general assembly.

19 This bill exempts military disability benefits and certain
20 military pay from the individual income tax. Current law
21 exempts from the individual income tax all pay from the federal
22 government for military service performed while on active duty
23 status in the armed forces, the armed forces military reserve,
24 or national guard. The bill strikes the active duty status
25 requirement related to that exemption. As a result, all pay
26 from the federal government for military service performed in
27 the armed forces, the armed forces military reserve, or the
28 national guard will be exempt from the individual income tax.

29 The bill also exempts from the individual income tax all
30 disability compensation and benefits received from the federal
31 government for a service-connected disability certified by the
32 United States department of veterans affairs.

33 The bill applies retroactively to January 1, 2017, for tax
34 years beginning on or after that date.